TEXAS DEPARTMENT OF HEALTH
BUREAU OF KIDNEY HEALTH CARE
ADVISORY COMMITTEE MEETING
APRIL 20, 2001

MINUTES

MEMBERS PRESENT

Robert Hootkins, M.D., Chair
Ms. Judy Nicastro, R.N., Vice Chair
Mr. Lloyd Davis, LMSW-AP
Mr. Bonny Wilburn
Ms. Sandy Taylor
G. Baird Helfrich, M.D.

MEMBERS ABSENT

James Webster, M.D.
Mr. Brian Carr
Ms. Linda Schacht, LMSW

GUESTS

Mr. Michael Wright, Roche Labs
Mr. Steve Francesconi, SangStat
Mr. Greg Hoke, Wyeth-Ayerst
Ms. Jamie Miles, R.N., BSN, Sangstat
Mr. Shaun Kaiser, Erbl, Inc.
Doug Bibus, M.S., Ph.D.c, University of Minnesota
Mr. Manuel Zapata

Doctor Robert Hootkins, Chair of the Kidney Health Care Advisory Committee, called the meeting to order and welcomed those members present. The Committee welcomed new members Ms. Sandy Taylor, a consumer representative and transplant recipient from Austin, and Doctor Baird Helfrich, a transplant surgeon from Lubbock.

The Committee was updated on the status of client services expenditures for Fiscal Year (FY) 2000. As of March 31, 2001, client services expenditures totaled $19.7 million for 19,553 unduplicated recipients. Of this, $1.4 million was for medical benefits for 561 unduplicated recipients; $3.8 million was for travel benefits for 12,801 unduplicated recipients; and $14.5 million was for drug benefits for 13,873 unduplicated recipients.

The budgeted general revenue for FY 2000 totaled $19.9 million, which included $814,000 in rebate revenue and $19.1 million in appropriated general revenue (including $1.1 million transferred from the Texas Department of Health (TDH) to Kidney Health Care (KHC). It appears that KHC will lapse approximately $135,000 after all FY 2000 expenditures are paid. Any lapsed funds may be rolled into FY 2001.

For the first six months of FY 2001, KHC expended $.4 million for medical benefits for 280 unduplicated recipients; $1.4 million for travel benefits for 10,959 unduplicated recipients; and $8.3 million for drug benefits for 12,822 unduplicated recipients. KHC projects to provide benefits to 21,857 unduplicated recipients in FY 2001.

Projected client services expenditures for FY 2001 total $17.9 million and reflect a slight decrease in expenditures for travel and drug benefits. The decrease in the travel benefit expenditures can be attributed to recent auditing of travel claims, which corrected errors caused, in part, when data was transferred from KHC's previous claims processing system to the new ASKIT system. The projected decrease in expenditures for drug benefits takes into account the savings that KHC will realize as a result of the recent change in Medicare coverage of ISDs for transplant recipients. Mr. Phil Walker, Chief of the Bureau of Kidney Health Care, reported that, based on these factors, it did not appear that KHC would need to request the transfer of additional funds from the TDH for FY 2001.

The Committee was updated on the status of KHC's Exceptional Item request for FY 2002 and FY 2003. Mr. Walker reported that both the House and the Senate considered only that portion of the request needed to maintain current services ($2.8 million in FY 2002 and $5.3 million for FY 2003). The House Appropriation committee recommended $4.2 million ($2.1 million for each year of the biennium) and the Senate Finance Committee recommended $8.1 million ($4.05 million for each year of the biennium). These recommendations were included in Article XI of the Appropriations Act. The budget has now been forwarded to Conference Committee, where the final amounts will be determined.

Mr. Walker pointed out that, when making their recommendations, the legislative committees took the following into consideration:

1. The projected savings as a result of the elimination of time limits for immunosuppressive drugs (ISDs) covered by Medicare. The expected savings are $2.5 million for FY 2002 and $3.0 million for FY 2003.

2. A rider to the proposed Appropriations Act which mandates that KHC receive all rebates billed by pharmaceutical companies participating in the State Rebate Program and providing drugs to KHC recipients. The estimated rebate revenue totals $1.9 million for FY 2002 and $2.2 million for FY 2003.

In addition, although the exceptional item for maintaining services does allow for an increase in the number of clients served, it does not allow KHC to expand benefits beyond the current level of services provided. Any policy or benefit that would increase cost to the state must be approved by the Board of Health. TDH must then notify the Legislative Budget Board and the Governor's Budget and Planning Office prior to implementing the proposed policy or benefit.

The Committee had a lengthy discussion regarding the recent change in Medicare coverage of ISDs and the subsequent impact on KHC transplant recipients. As of April 1, 2001, Medicare eliminated the time limit for coverage of ISDs for Medicare entitled beneficiaries (based on age 65 and older or disabled) who are eligible for Medicare ISD coverage. Therefore, beginning April 1, 2001, KHC will only provide ISD coverage for KHC recipients who are not eligible for Medicare ISD coverage. The Committee voiced

concern about the impact on those patients for whom KHC had previously covered 100% of the allowable cost of their ISDs and now, because of the change in the law, these patients are responsible for the 20% co-pay liability that Medicare does not cover. A committee member stated that some transplant patients would not be able to afford to pay the 20% portion and would instead elect to return to dialysis.

Mr. Walker stated that KHC was in the process of reviewing data to determine how many KHC recipients would be affected by this change. In FY 2000, KHC paid approximately $4.3 million for ISD benefits for 1,342 recipients. Approximately 50 – 54% of these recipients have Medicare coverage based on age or disability, for a projected savings of $1.6 - $1.8 million for FY 2001. However, KHC is not in a position to pay the 20% patient co-pay liability for FY 2001 for several reasons, including:

1. Payment of patient co-pay liability is not a benefit that KHC currently provides. Although KHC has provided this benefit in the past, it was discontinued several years ago as a cost savings measure. In order to reinstate the benefit, TDH is required to obtain approval from the Texas Board of Health and to notify the Legislative Budget Board and the Governor's Office of Budget and Planning.

2. Due to current KHC funding and the projected demand for services for FY 2001, the anticipated savings is projected to be sufficient to help KHC meet current client services needs without having to request additional funds. TDH transferred $1.1 million to KHC for FY 2000, and the projected savings will alleviate the need to transfer funds for FY 2001.

3. Although the annual savings realized by this change is projected to be approximately $1.6 - $1.8 million, only $953,000 would be realized for the rest of FY 2001. The remainder of the projected savings ($667,000) would have to be recouped from the pharmacy providers.

Once the appropriation for FY 2002 and FY 2003 has been finalized by the current legislative session, KHC will review this issue to determine if funding is sufficient to provide coverage. However, Mr. Walker reminded the Committee of the benefit priorities already outlined in the Exceptional Items that were submitted but not considered by the legislature (expanding the drug benefit from a 34 to 60 day supply, for example). Depending on the final appropriation, it will be necessary for KHC to prioritize any proposed expansion in current services and obtain the necessary approval prior to implementing any new benefit.

The Committee expressed frustration that KHC was unable to pay the 20% patient co-pay liability portion of ISDs for these recipients. They suggested that, in the interim, patients be instructed to use the patient assistance program through Roche Pharmaceuticals, work with a pharmacist who will not bill the patient for the 20%, and use local support groups for assistance with their part of the cost. The Committee thought that the transplant community as a whole should express these concerns to the Legislature. In addition,

Committee members recommended that the transplant community work with pharmaceutical companies that manufacture ISDs to encourage them to provide assistance to these patients.

Mr. Walker informed the Committee that KHC was in the process of developing cost containment proposals for FY 2002 and FY 2003. These are being developed as a precautionary measure in the event that cost saving/cost containment measures need to be implemented. Preliminary measures, and the approximate amount of savings associated with each, include:

1. Limit dialysis services to non-Medicare eligible clients – projected savings of approximately $500,000 - $800,000 per year.

2. Discontinue KHC drug benefits for KHC recipients who are Medicaid eligible – potential savings of approximately $1.5 - $2.0 million per year.

3. Options for changing the KHC travel benefits include:

    a. Limit travel benefits to in-center patients only and/or limit post-transplant patients to one year of travel benefit – projected savings for both of these options is approximately $250,000.

    b. Reduce home patient travel reimbursement to two trips per month (current allowable is four) – projected savings is approximately $125,000 per year.

Mr. Walker commented that there were several bills and riders before the legislature this session that may impact the level of benefits that KHC will provide in the next biennium. Some of the bills/riders provide for expanded drug coverage for Medicaid recipients, while others expand coverage to certain Medicaid populations. KHC is monitoring these bills to determine what impact they might have on expenditures for FY 2002 and FY 2003.

At meetings held in April and August 2000, a sub-committee of the Advisory Committee performed an overall review of the Reimbursable Drug List (RDL). The sub-committee recommended that KHC discontinue coverage of over-the-counter drugs (except for diabetic supplies and insulin) and discontinue coverage of the drugs currently listed under the categories "Analgesics/Narcotic Analgesics", "Analgesics (NSAIDS)", "Anticonvulsants", "Anti-Ulcers", and "Anti-diarrheals". The full Committee requested that KHC report on the fiscal impact of the proposed revisions.

KHC's report, which included cost analyses, impact of proposed revisions, and recommendations, was forwarded to the Committee prior to the meeting. In the report, KHC recommended that, for the most part, coverage of the drugs not be discontinued. The current expenditure for these drugs is relatively small and, particularly in the case of over-the-counter drugs, KHC might actually see an increase in expenditures if patients

switch to a more expensive prescription medication. Upon discussion, the Committee voted unanimously to not make any changes to the RDL at the present time.

Mr. Lloyd Davis went on record to commend the work of the sub-committee in their review of the RDL and to commend KHC staff on the analysis and recommendations.

The Committee reviewed a request to add Coromega to the RDL and heard public comments from Doctor Doug Bibus regarding Coromega. Upon discussion, the Committee voted unanimously to table further action on Coromega, pending receipt of further information from Doctor Bibus. This item will be place on the agenda for the next Committee meeting.

Doctor Hootkins asked about the status of the moratorium on adding drugs to the RDL, which was implemented in February 2000. Mr. Walker responded that the moratorium was still in effect and that KHC was not in a position to add any drugs in FY 2001 that are not determined to be cost neutral. For FY 2002 and 2003, drugs will not be added until KHC determines that the appropriation for the FY 2002 and 2003 biennium is sufficient to cover the expenditure. He reminded the Committee that the drug cytovene had been approved to be added to the RDL effective April 2000, but was not due to the moratorium. The Committee moved to recommend that drugs that have been pre-approved to be added to the RDL be given priority when the moratorium is lifted.

The Committee voted unanimously to recommend that Doctor Robert Hootkins and Ms. Judy Nicastro be re-appointed to serve as Chair and Vice-Chair of the Advisory Committee, respectively. KHC will forward these recommendations to Mr. J.C. Chambers, Chairman of the Texas Board of Health, for approval.

Upon discussion, the Committee tentatively scheduled the next Advisory Committee meeting for July 20, 2001.

There being no further business, the meeting was adjourned.